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Report Highlights:

The forecast for Zimbabwe's 2008/09 corn crop is revised downward to 320,000MT as a critical shortage of inputs, particular corn seed and fertilizer will limit both area and yield. This follows a relatively poor harvest in the 2007/08 season. In the marketing year that will begin in May 2009 Zimbabwe will once again need to rely on imports to meet the corn requirements of its population. The desperate economic situation is making it difficult for Zimbabwe to meet its corn import demand in the current marketing year and that situation is likely to continue in 2009. The 2008 wheat crop is estimated at 38,900MT 11.2 percent of the estimated national requirement. Zimbabwe's wheat imports are forecast at 175,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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SUMMARY

The forecast for Zimbabwe's 2008/09 corn crop is revised downward to 320,000MT as a critical shortage of inputs, particular corn seed and fertilizer will limit both area and yield. This forecast also represents a decline from the relatively poor harvest in 2007/08, estimated at 525,000MT.

The start of the 2008/9 season has been characterized by shortages of corn seed and fertilizer. Both corn seed and fertilizer are not readily available for purchase. Seed production in the 2007/8 season was low partly due to the fall in area planted as well as the unfavorable weather conditions. A maximum of 15,000MT of commercial corn seed enough to cover an area of about 700,000 hectares is estimated to be available for the 2008/9 corn crop. The forecast harvested area of 800,000 hectares takes into account small-scale farmers that may have held over their own seed.

Similarly, there is a serious shortage of fertilizer in the country after the local companies produced low volumes due to foreign currency constraints. Fertilizer imports were curtailed by the scarcity of foreign currency. The shortage of these critical inputs and the prediction of poor rainfall in the second half of the season all point to low corn area planted and production in 2008/9 season.

Corn imports from South Africa to cover the deficit following the poor harvest of 2007/8 season are in progress with the government importing about 280,000MT out of the planned 792,000MT in seven months. Government capacity to import corn is constrained by the scarcity of foreign currency. It is estimated that an additional 150,000MT may have come in through food aid programs.

Harvesting of the 2008 winter wheat crop is now complete. Government estimates production at 38,900MT or 11.2% of estimated national requirements. Zimbabwe should import more than 300,000MT but it is highly unlikely that this target will be met because of the foreign currency shortage in the country. Imports are estimated to reach 175,000MT in the marketing year.

Exchange Rate:

Z\$113,000	= US\$1 (Official)
Z\$30,000,000	= US\$1 (Parallel Market)

CORN**PSD Table**

Country		Zimbabwe							
Commodity		Corn							
(1000 HA)(1000 MT) (MT/HA)	Market Year Begin	2006	Revised		2007	Estimate		2008	Forecast
		USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate
			05/2007	05/2007		05/2008	05/2008		05/2009
Area Harvested		1250	1200	1250	1300	1250	1300	1300	0
Beginning Stocks		0	0	0	0	0	0	0	0
Production		700	600	700	525	1000	525	850	0
MY Imports		700	450	700	600	250	600	250	0
TY Imports		350	350	350	350	0	350	400	0
TY Imp. from U.S.		0	0	0	0	0	0	0	0
Total Supply		1400	1050	1400	1125	1250	1125	1100	0
MY Exports		0	0	0	0	0	0	0	0
TY Exports		0	0	0	0	0	0	0	0
Feed Consumption		50	50	50	50	50	50	50	0
FSI Consumption		1350	1000	1350	1075	1200	1075	1050	0
Total Consumption		1400	1050	1400	1125	1250	1125	1100	0
Ending Stocks		0	0	0	0	0	0	0	0
Total Distribution		1400	1050	1400	1125	1250	1125	1100	0
Yield		0.56	0.5	0.56	0.40	0.8	0.40	0.65	0

Production

The 2008/9 rainfall season has started in most parts of the country. Rainfall predictions published by the Meteorological Services Department for the season are for a high probability of normal to above normal rain in the first half of the season (i.e. October to December 2008) and a high probability of below normal rainfall in the second half of the season (January to March 2009).

The planting season has started in most of the country; however a prolonged break in rainfall delayed planting in most of the country.

There is a shortage of corn seed this season with corn seed not readily available for purchase. Whereas in the 2007/8 season 41,591MT of corn seed was available, only about 13,000MT hybrid corn seed is available for the 2008/9 season. Seed production in the 2007/8 season was low partly due to the fall in area planted from 14,000 hectares to 9,000 hectares as well as the unfavorable weather conditions experienced last season. Government imposed price-controls on corn seed also contributed to the shortage as some hybrid seed was diverted to millers as commercial grain in order to realize the high margins. It is estimated that of the 20,000MT seed produced locally, only 9,000MT was delivered to seed houses. Carryover seed (i.e. seed that was delivered late last season) as well as imports of hybrid and open-pollinated varieties will probably bring the total seed available in

the country to about 15,000MT. This seed is adequate for an area of about 700,000 hectares. Pricing corn seed in US dollars has compounded the situation by making seed unavailable to the majority of farmers who have no access to US dollars. This may result in some farmers resorting to planting second and third generation hybrid seeds that are inherently low yielding.

Fertilizer unavailability also poses a major challenge for corn production and will negatively affect yields and area planted. A total of only 32,500MT have been produced by the local industry out of an industry capacity of 600,000MT. From June 2008 the Reserve Bank of Zimbabwe disbursed US\$23 million to manufacture 56,000MT of fertilizer. Of this target, 32,500MT comprising 27,500MT basal fertilizer and 5,000MT top dressing fertilizer has been manufactured and distributed. The balance of 23,500MT is being processed but may not be available for this summer season's corn. These quantities are insignificant compared to the national requirements of 600,000MT compound D and 400,000MT top dressing fertilizer. The chronic shortage of foreign currency remains the biggest constraint to local production and importation of fertilizer. Fertilizer imports were limited by foreign currency constraints with about 6,000MT fertilizer being imported from South Africa. Hence, a large portion of the corn crop will suffer severe nutrition deficiency.

The severe shortage of agricultural inputs for the 2008/9 summer planting season on the domestic market has prompted the government to relax import requirements for fertilizer, seed and chemicals. At the end of October 2008, the government permitted the issuance of temporary import permits to individuals able to import agricultural inputs such as corn seed, chemicals and fertilizers and waived import duty on these inputs. However, this move may not significantly increase the availability of these inputs. Foreign currency as well as time constraints will limit quantities that can be imported in time for the planting season.

The government inputs program changed its focus this season and has embarked on a targeted farmer approach. It plans to support production of 500,000 hectares of corn, half of last year's target, on a contract basis through the provision of inputs such as seed, basal and top dressing fertilizer to high performing farmers. The program dubbed 'Champion Farmer' targets farmers in traditional maize growing areas with a proven record of delivering to the Grain Marketing Board (GMB). It is a significant departure from the previous seasons' 'Operation Maguta' that mainly supported communal farmers with inputs. However, the shortage of all inputs, especially fertilizer threatens the success of this program. By the end of November, 5,445MT of maize seed, (of a target of 12,500MT) enough to plant an area of 217,800 hectares was distributed under the targeted farmer scheme. Fertilizer distributions under the same scheme amount to 27,500MT compound D and 5,000MT top dressing fertilizer compared to requirements of 250,000MT and 200,000MT respectively.

The South African government's pledge of US\$30 million (R300 million) agricultural aid to Zimbabwe had been expected to cover the current inputs gap. However, the South African government has withheld the conditional aid citing as major reasons the fact that the planting season is essentially over and Zimbabwe's failure to form a representative government.

National estimates of corn area planted are not yet available, but projections for 2008/9 season point to a lower national corn area planted and production compared to 2007/8 season. The major constraints to production include a critical shortage of inputs, particularly corn seed and fertilizer and the rainfall pattern. The prediction of a high likelihood of normal to below normal rainfall in the second half of the season implies that the corn crop will most probably suffer moisture stress at the critical grain filling period and this will reduce yields and production. Our initial projections are that corn area planted will fall by about 25% to 50% compared to last season.

The low producer price has made corn production unviable and is a disincentive for production. The Government of Zimbabwe will pay corn and wheat growers import parity prices in local currency at the prevailing inter-bank exchange rate, however, late payments in the prevailing hyper-inflation are making corn production unviable.

Consumption

It is estimated that Zimbabwe's annual corn requirement is 1.652 million MT. Human consumption needs are estimated at about 1.452 million MT, seed requirements at 50,000MT and feed requirements at 150,000MT. These estimates are based on the official population figure of 12 million, but most believe the current population is at most 9 million.

The poor 2007/8 harvest of about 470,000MT corn left a potential deficit of 1.182 million MT to be covered through imports. Grain deliveries to the Grain Marketing Board were very low due mainly to the poor producer price and the low production. Most households have now exhausted grain from the 2007/8 season harvest and will have to depend on corn purchases and food aid.

The country faces serious food shortages particularly in the rural areas where some villagers are reported to be consuming large quantities of wild fruits and roots to complement cereals. High unemployment estimated at about 90% and high inflation, officially estimated at 231 million percent together have severely constrained household purchasing power. Pricing of grain and other commodities in foreign currency coupled with the unavailability of the local currency has made it difficult for most households to access corn and corn meal as cash is the only acceptable mode of payment.

Indications are that about 5.1 million of Zimbabwe's estimated 12 million people will be food insecure and will require food aid from January 2009 until the next harvest in April 2009. Currently, food aid is provided to about 4 million people.

Total corn imports by the Government of Zimbabwe through the end of November were 280,000MT of the planned 792,000MT. Poor distribution logistics by the GMB contributed to food shortages experienced in most parts of the country.

Trade

The government plans to import a total of 792,000MT between May 2008 and April 2009 and humanitarian organizations plan to import 372,000MT. However, the Government of Zimbabwe's capacity to meet this target is doubtful as it faces a serious shortage of foreign currency. Grain imports are competing with other national priorities such as health, energy, fuel, water and sanitation for the scarce foreign currency.

About 280,000MT corn has so far been imported by government from South Africa, leaving a deficit of 512,000MT to be imported between December 2008 and April 2009. If the government is to cover this deficit, the rate of importation has to increase an average of about 102,400MT per month compared to the current 40,000MT per month. The World Food Program (WFP) and C-Safe have imported 151,000MT of the 357,000MT planned imports.

Due to the serious food shortages in the country the government has relaxed grain import rules allowing private importers to import corn and corn-meal by issuing temporary licenses at all of the country's entry points.

WHEAT**PSD Table****Country Zimbabwe**
Commodity Wheat

(1000 HA)(1000 MT) (MT/HA)	2006 USDA Official	Revised Post Estimate	Post Estimate New	2007 USDA Official	Estimate Post Estimate	Post Estimate New	2008 USDA Official	Forecast Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	35	35	35	45	0	45	35	0	9
Beginning Stocks	100	100	100	100	100	100	100	0	100
Production	135	140	135	135	0	135	135	0	38
MY Imports	125	125	125	125	0	125	125	0	175
TY Imports	125	125	125	125	0	125	125	0	175
TY Imp. From U.S.	7	0	7	0	0	0	0	0	0
Total Supply	360	365	360	360	100	360	360	0	313
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	260	265	260	260	0	260	260	0	260
Total Consumption	260	265	260	260	0	260	260	0	260
Ending Stocks	100	100	100	100	0	100	100	0	
Total Distribution	360	365	360	360	0	360	360	0	313
Yield	3.85	4.00	3.85	3.00	0	3.00	3.85	0	4.22

Production

The 2008 winter wheat harvest is complete and production is estimated at 38,900MT, the lowest since 1980.

The Government of Zimbabwe estimate of the total area harvested for wheat in 2008 at 31,663 hectares is much higher than our estimate of 9,000 hectares, but still amounts to 45 percent of the target 70,000 hectares.

Factors that affected production include late planting, a shortage of fertilizers, disruption of irrigation activities due to persistent power outages, inadequate irrigation equipment and inadequate fuel and equipment for harvesting.

Consumption

Wheat supplies to millers and bakers have been erratic and inconsistent. Supplies have been hampered by the low level of local production and a shortage of foreign currency to import the large quantities of wheat needed to fill the gap. Government price controls and the shortage of foreign currency have resulted in an inconsistent supply of bread, bakers citing erratic supplies of flour and unviable prices as the principal causes for the shortage.

Based on a population of 12 million and a per capita consumption of 29kg/annum, the country's annual requirement is estimated at about 348,000MT. If a population figure of 9 million is used, the annual requirement would be 261,000MT.

Trade

Post forecast total imports in the current marketing year will reach 175,000MT. Wheat import data obtained from SAGIS indicates a total of 29,500MT imported between August 2008 and the end of November 2008 as shown on the table below.

Wheat imports from August 2008 to November 2008

Country of importation	Quantity (MT)
Argentina	24,566
South Africa	4,934
Total	29,500